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UNCLAS SECTION 01 OF 02 RANGOON 000312

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SUBJECT: NATURE, GOVERNMENT CONSPIRE AGAINST RICE FARMERS

REF: RANGOON 0235

11. (U) Summary: In 2005, unpredictable new export restrictions, higher fuel prices, political interference in planting decisions, and a shorter than usual summer monsoon added new problems for Burmese rice farmers. Rice exports increased 90% over the previous year to 220,000 metric tons as a GOB ban was lifted, but unseasonable weather and increasing costs make prospects low for rice production in 12006. End summary.

Rice Exports Up

12. (SBU) Once the world's dominant rice producer and exporter, in 2005 Burma exported only 220,000 metric tons (MT), leagues behind neighbors Thailand (7.5 million MT in 2004) and Vietnam (5 million MT in 2005). Burmese exports increased 90% over 2004 because the GOB lifted its six-month ban on rice exports in July 2004, and exported only 115,000 metric tons of rice in the second half of the year. Most Burmese exports go to Malaysia, Singapore, and Africa. Prospects for rice exports in 2006 are lower because unusual late December rains severely damaged crops, including stores for domestic consumption. Some in the trade speculate there may even be a domestic rice shortage in 2006.

13. (SBU) To prevent hoarding and reselling, the GOB allows only entrepreneurs who grow rice on government land to export. In 2005, however, much of the production from the leased government land did not meet export-quality standards, so the entrepreneurs purchased most of the rice they exported from domestic markets. The government also allowed some millers to export rice from the "Buffer Stock", normally held in reserve to intervene when domestic rice prices rise too high. Because of its poor handling and milling processes, Burma exports a higher percentage of low quality rice today than in the past. Last year, 25% of its exports was poor quality Ehmata rice, most of which went to African markets.

Costs for Rice Farmers Up, Too

14. (SBU) The GOB's decision to cut fuel subsidies in October 2005 forced farmers to pay 800% more to operate the diesel pumps used to irrigate their paddy fields. Farmers who can't afford this are sub-leasing their fields, becoming farm labor on their own land. Prices for some fertilizers rose over 30% in 2005 because of increased transportation costs. This has led to an increase in arrests along the Burma/Bangladesh border, as farmers who cannot afford the scarce, expensive local fertilizers turn to smugglers selling cheaper subsidized products from Bangladesh.

15. (SBU) The GOB enforces strict trade controls in Rakhine State on the border with Bangladesh, even restricting the movement of rice between townships. This makes local rice prices among the highest in the country, in an area that is one of Burma's poorest. Because of the tenuous food supply situation, the World Food program (WFP) distributes free rice to the most vulnerable groups in Rakhine. WFP supplied 185 metric tons in 2005 and plans to give away 616 metric tons in 12006. WFP also plans to adjust its Burma food vulnerability map, now broken down by townships, to a more general breakdown by state/division level. Unfortunately, this will also dilute awareness of the desperate poverty of the northern parts of Rakhine State (reftel), since the rest of the state does not suffer the same trade and travel restrictions, and has a higher standard of living.

16. (SBU) Farmers and traders tell us that the GOB has ordered some farmers to grow rice, instead of more profitable (and environmentally-suitable) crops. In rice-producing areas, the GOB has ordered farmers to plant two crops of rice annually, instead of alternating rice with other crops as they have traditionally done during Burma's two growing seasons. Farmers and FAO reps also told us that the GOB forced some farmers in northern Shan State to plant "Sin Shwe Li," a hybrid rice from China that requires more expensive inputs and is ill-suited to local climates. The farmers borrowed money to purchase the new seed and fertilizers, but

the low yields of the new crop have driven many into debt.
The GOB ordered the farmers to plant this rice, we are told,
to meet demand in China.
Burma's Broken Rice Bowl

[17](#). (SBU) Comment: What Burmese farmers need to restore their country's rice production to historic levels is more capital investment, modern technology, access to chemical fertilizers and other inputs, scientific research, and current information about local market conditions. Instead, they get arbitrary production quotas, orders to grow crops that local conditions cannot sustain, increased costs for fuel and fertilizers, poor transportation and communication networks, and unpredictable weather. 2006 looks to be an even tougher year for farmers and the domestic rice market. Until the regime institutes more rational and open policies, and creates a more welcoming investment climate, Burma's rice production will continue to fall behind its neighbors, and far below its potential. End comment.
STOLTZ